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REGULATION ON ETHICAL PRINCIPALS THAT CERTIFIRED PUBLIC ACCOUNTANTS AND SWORN-IN CERTIFIED ACCOUNTATS SHOULD COMPLY WITH IN THEIR PROFESSIONAL ACTIVITIES

PART ONE

Objective, Scope, Basis and Definitions

Objective

ARTICLE 1 – (1) The objective of this regulation is to establish the minimum ethical principles for professional accountancy members to comply in their professional relations in order to reach the aim of all members have highest level professional knowledge, have social responsibility awareness, adherence to ethical values, competition perception established as high quality service, to form a group of reliable and reputable professional accountancy members.

Scope

ARTICLE 2 – (1) All the professional members has a title, either in public practice or in business and the activities of their firms according to the Law of **"(Repealed sentence: OJ-25/12/2012-28508) (...)** Certified Public Accountancy and Sworn-in Certified Public Accountancy with the date of 1/6/1989 and number 3568, in the scope of this Regulation. Ethical principles that professional members and their firms shall comply with in their activities provided in appendix of this Regulation that "Ethical principles that **"(Repealed sentence: OJ-25/12/2012-28508) (...)** Certified Public Accountants and Sworn-in Certified Public Accountants shall comply with in their professional activities".

Basis

ARTICLE 3 – (1) This Regulation based on the provisions in Article 50 of the Law of **(Repealed sentence: OJ-25/12/2012-28508) (...)** Certified Public Accountancy And Sworn-in Certified Public Accountancy with the date of 1/6/1989 and number 3568.

Definitions

ARTICLE 4 – (1) In this Regulation following expressions have the following meanings:

a) Professional accountant in Business: A professional accountant provides services to an employer for wage.

b) Professional accountant in public practice: A professional accountant registered to public practice list and their partnership practices and firms,

c) Audit client: Client whose financial statements are audited.

ç) Audit engagement: A reasonable assurance engagement in which a professional accountant in public practice expresses an opinion whether financial statements are prepared, in accordance with an applicable financial reporting standards.

d) Financial interest: An interest in an equity or debt instrument of an entity and rights and obligations to acquire such an interest

e) Firm: professional accountants or their firms.

f) Assurance engagement: An engagement in which a professional accountant in public practice expresses a conclusion designed to enhance the degree of confidence of the intended users about the outcome of the evaluation or measurement of a subject matter against criteria.

g) Assurance engagement team:

1) All members of the engagement team for the assurance engagements for auditing and other matter;

2) Others within a firm who can directly influence the outcome of the assurance engagement.

h) Assurance client (responsible party): The person (or persons) who is responsible for the subject matter of engagement.

ı) Law: The Law of **(Repealed sentence: OJ-25/12/2012-28508) (…)** Certified Public Accountancy And Sworn-in Certified Public Accountancy with the date of 1/6/1989 and number 3568

i) Professional member: **(Repealed sentence: OJ-25/12/2012-28508) (…)** Certified Public Accountant and Sworn-in Certified Public Accountant in public practice or in business.

j) Professional service: Services requiring accountancy skills as accounting, auditing, taxation, management consulting and financial management services.

k) Existing accountant: A professional accountant in public practice currently holding an audit appointment or carrying out accounting, taxation, consulting or similar professional services for a client.

l) Engagement team: All firm staff performing the engagement (including all experts contacted with regarding to engagement).

m) Engagement partner: The partner or persons in the firm who is responsible for the specific engagement and for the issued report by the firm.

n) Contingent fee: A fee calculated on the outcome of a transaction or the result of the services performed.

PART TWO

Ethic Committee and Final Provisions

Composition of the Ethic Committee

ARTICLE 5 – (1) Ethic Committee composed of a Chair, a Deputy chair from at least seven and at most 11 members whose appointed by the Board of the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey. Term of office is 2 years. If there is a vacancy for any reason, the new members appointed by same procedure. The new member appointed to complete the remaining period.

Meetings of Ethic Committee

ARTICLE 6 – (1) Ethic Committee regularly meets at every six moths. If Committee Chair or the Board of the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey considers it as necessary, can call the Ethic Committee meeting.

Duties of Ethic Committee

ARTICLE 7 – (1) Duty of the Ethic Committee is to prepare proposals, comments, circular and similar studies related tı this Regulation and submit to the Board.

Amendments to International Ethic Standards

ADDITIONAL ARTICLE 1 – (Annex: OJ-25/12/2012-28508)

The revisions made to Code of Ethics for Professional Accountants by International Federation of Accountants (IFAC) are announced to our professional accountants by TÜRMOB.

General Accountants (SM)

PROVISIONAL ARTICLE 1 – (Annex: OJ-25/12/2012-28508)

Existing general accountants are subject to this Regulation and the provisions of ethical principles provided in appendix of this Regulation.

Effective Date

ARTICLE 8 – (1) This regulation become effective by its published.

Enforcement

ARTICLE 9 – (1) The provisions of this Regulation enforced by the Board of the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey.

Appendix - 1

(Revised Title: OJ-25/12/2012-28508)

ETHICAL PRINCIPALS THAT CERTIFIRED PUBLIC ACCOUNTANTS AND SWORN-IN CERTIFIED ACCOUNTATS SHOULD COMPLY WITH IN THEIR PROFESSIONAL ACTIVITIES

INTRODUCTION

(1) A distinguishing mark of the professional member is the responsibility to act in the public interest. In order to fulfill this responsibility, the professional member shall comply with the ethical principles in this Regulation.

(2) Ethical principles contain three sections. Section One establishes the fundamental ethics principles that all the professional accountants should comply with and provides a conceptual framework for application of these principles. Conceptual framework is a necessary guidance for professional accountants to identify threats to compliance with the fundamental principles; apply safeguards to eliminate the threats or reduce them to an acceptable level.

(3) Sections Two and Three describe how the conceptual framework applies in certain situations. Section Two includes the effective principles and conditions for professional accountants in public practice. Section Three includes the effective principles and conditions for professional accountants in business.

SECTION ONE

Fundamental Ethical Principles for All Professional Accountants

PART ONE

General Application of Principles

Fundamental ethical principles:

ARTICLE 1 – (1) Followings are the fundamental ethical principles that all the professional accountants shall comply to:

(a) Integrity: to be straightforward and honest in all professional and business relationships.

(b) Objectivity: to not allow bias, conflict of interest or undue influence of others to override professional or business judgments.

(c) Professional Competence and Due Care: to act diligently and in accordance with applicable technical and professional standards.

(d) Confidentiality: to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.

(e) Professional Behavior: to comply with relevant laws and regulations and avoid any action that discredits the profession.

Conceptual Framework

ARTICLE 2 – (1) The circumstances in which professional accountants operate may create specific threats to compliance with the fundamental ethical principles. This kind of behavior, situation or relation is described as threat. It is impossible to define every situation that creates threats and specify the appropriate action to diminish the threat. In addition, as the nature of work assignments may differ constantly different threats may be created. Therefore, to establish a conceptual framework that requires a professional accountant to identify, evaluate, and address threats to compliance with the fundamental ethical principles will be in public interest. This Regulation provides a framework assists professional accountants identify, evaluate and answer threats to complying with the ethical requirements. When the threats are no unimportant, the professional accountant shall apply safeguards to eliminate the threats or reduce them to an acceptable level.

(2) When there are any threats the professional accountant knows, or could reasonably be expected to know, of circumstances or relationships that may eliminates the thereat, professional accountant has responsibility to eliminates this threat.

(3) A professional accountant shall take qualitative as well as quantitative factors into account when evaluating the significance of a threat. If professional accountant in public practice cannot take necessary safeguards shall decline or discontinue the specific professional service, in the case of a professional accountant in business resign from the engagement employing organization.

(4) A professional accountant may inadvertently violate a provision of this ethical principles. When the violation is discovered, the violation is corrected promptly and any necessary safeguards are applied.

(5) Part two and third of Ethical principles contains examples for application of conceptual framework. The examples are not an exhaustive list of all circumstances that may create threats to compliance with the fundamental principles. the framework should be applied to the particular circumstances encountered by the professional accountant.

Threats

ARTICLE 3 – (1) Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

(a) Self-interest threats, which may occur as a result of the financial or other interests of a professional accountant or of an immediate or close family member;

(b) Self-review threats, which may occur when a previous judgment needs to be reevaluated
by the professional accountant responsible for that judgment;

(c) Advocacy threats: which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;

(d) Familiarity threat s: which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and

(e) Intimidation threats: which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.

Safeguards to threats

ARTICLE 4 – (1) Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:

a) Safeguards created by the legislation: Safeguards created by the legislation include:

1) Educational, training and experience requirements for entry into the profession,

2) Continuing professional development requirements,

3) Corporate governance regulations,

4) Professional standards,

5) Professional or regulatory monitoring and disciplinary procedures.

6) External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.

b) Safeguards in the work environment.

Ethical Conflict Resolution

ARTICLE 5 – (1) Professional accountants required to resolve conflicts resulting from disagreement in application of fundamental ethical principles by using the the fundamental ethical principles in this regulation. In formal or informal conflict resolution process that established for resolving these ethical conflicts, a professional accountant shall determine the appropriate course of action by considering the relevant facts; ethical issues and principles involved; established internal procedures; and alternative courses of action. If the matter remains unresolved, the professional accountant may wish to ask help from other appropriate persons within the firm or employing organization. Where a matter involves a conflict with, or within, an organization, a professional accountant shall consult with those charged with governance of the organization, such as the board of directors or the audit committee. If a significant conflict cannot be resolved, a professional accountant may consider obtaining professional advice from the relevant professional body. After exhausting all relevant possibilities, the ethical conflict remains unresolved, a professional accountant shall, refuse to remain associated with the matter creating the conflict. The professional accountant shall determine, in the circumstances, to withdraw from the engagement team or specific assignment, or to resign from the engagement, the firm or the employing organization.

PART TWO

Integrity

ARTICLE 6 – (1) The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in all professional relationships. Integrity also implies fair dealing and truthfulness.

ARTICLE 7 – (1) A professional accountant shall not consider reports, returns, communications or other information where the professional accountant believes that the information contains a materially false or misleading statement;

PART THREE

Objectivity

ARTICLE 8 – (1) The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others.

ARTICLE 9 – (1) A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define or prescribe all such situations. Thus, a professional accountant shall avoid circumstances or relationships that influences the professional accountant's objectivity.

PART FOUR

Professional Competence and Due Care

ARTICLE 10 – (1) The principle of professional competence and due care imposes obligations to maintain professional knowledge and skill at the level required to ensure that clients or employers receive competent professional service; and to act diligently in accordance with applicable technical and professional standards when providing professional services, on all professional accountants:

ARTICLE 11 – (1) Professional competence may be divided into two phases:

a) Attainment of professional competence: Attainment of professional competence requires to satisfy the admission requirements for profession in the Law.

b) Maintenance of professional competence: requires a continuing awareness and an understanding of professional issues, national and international developments related to professional life. In this regard, on the job training programs provides suitable opportunities that a professional accountant to provide efficient services in the professional sphere.

(2) Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.

(3) A professional accountant shall take reasonable steps to ensure that those working under the professional accountant's authority in a professional capacity have appropriate training and supervision.

PART FIVE

Confidentiality

ARTICLE 12 – (1) confidentiality principle regarding that professional accountant is responsible for protecting the confidentiality of information obtained about her/his client or employer According to this principle a professional accountant refrain from;

a) Disclosing outside the firm or employing organization confidential information acquired as a result of professional relationships without proper and specific authority or unless there is a legal or professional right or duty to disclose; and

b) Using confidential information acquired as a result of professional and business relationships to their personal advantage or the advantage of third parties.

ARTICLE 13 – (1) The duty of confidentiality continues even after the end of the relationship between the professional accountant and the client or employer.

(2) Professional accountants have an obligation to ensure that staff under their control and persons from whom advice and assistance is obtained respect the principle of confidentiality.

ARTICLE 14 – (1) The following are examples of the points which should be considered in determining whether confidential information may be disclosed:

a) When disclosure is authorized. When authorization to disclose is given by the client or the employer the interests of all the parties including those third parties whose interests might be affected should be considered.

b) When disclosure is required by law. Disclosure is required by law, for example:

1) To produce documents or to give evidence in the course of legal proceedings; and

2) To disclose to the appropriate public authority's infringements of the law which come to light.

c) When there is a professional duty or right to disclose:

1) To provide input to the quality report of a professional chamber or professional institution.

2) To respond to an inquiry or investigation by a professional chamber, professional institution or regulatory body.

3) To protect the professional interests of a professional accountant in legal proceedings; or

4) To make disclosures in order to comply with accounting and/or auditing standards and ethics requirements.

ARTICLE 15 – (1) When the professional accountant has determined that confidential information can be disclosed, the following points should be considered:

a) Whether or not all the relevant facts are known and substantiated, to the extent it is practicable to do so; when the situation involves unsubstantiated fact or opinion, professional judgment should be used in determining the type of disclosure to be made, if any;

b) What type of communication is expected and the addressee; in particular, the professional accountant should be satisfied that the parties to whom the communication is addressed are appropriate recipients and have the responsibility to act on it; and

c) Whether or not the professional accountant would incur any legal liability having made a communication and the consequences thereof.

PART SIX

Professional Behavior

ARTICLE 16 – (1) The principle of professional behavior imposes an obligation on all professional accountants to comply with relevant laws and regulations and avoid any action that may discredit the profession. Actions that may discredit the profession includes actions that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

ARTICLE 17 – (1) In marketing and promoting themselves and their work, professional accountants shall not bring the profession into disrepute. Professional accountants shall be:

a) honest and truthful;

b) Make exaggerated claims for the services they are able to offer, the qualifications they possess, or experience they have gained; or

c) Make disparaging references or unsubstantiated comparisons to the work of others.

SECTION TWO

Fundamental Ethical Principles for Professional Accountants in Public Practice

PART ONE

Introduction

ARTICLE 18 – (1) This Part of the Code illustrates how the conceptual framework contained in Part One is to be applied by professional accountants in public practice. The examples in the following sections are circumstances experienced by a professional accountant in public practice that may create threats to compliance with the principles. However, examples provided are not represent all the possible situations. Consequently, a professional accountant in public practice required to apply the framework to the particular circumstances faced.

ARTICLE 19 – (1) A professional accountant in public practice should not engage in any business, or activity that might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the rendering of professional services.

ARTICLE 20 – (1) Potential threats that a professional accountant in public practice explained in section one. The nature and significance of the threats may differ depending on client types that the professional accountant provides services (for example an audit client and whether the audit client is a public interest entity, to an assurance client that is not an audit client, or to a non-assurance client.)

ARTICLE 21 – (1) Examples of circumstances that create self-interest threats for a professional accountant in public practice include:

a) having a financial interest or sharing a common financial interest in the client

b) having undue dependence on total fees from a client.

c) having a close business relationship with a client.

ç) being concerned about the possibility of losing a client.

d) employment possibility with the client.

e) contingent fee arrangement relating to an assurance engagement.

f) A loan to or from an assurance client or any of its directors or officers.

ARTICLE 22 – (1) Examples of circumstances that create self-review threats for a professional accountant in public practice include:

a) The discovery of a significant error during a re-evaluation of the work of the professional accountant in public practice.

b) Reporting on the operation of financial systems after being involved in their design or implementation

c) Having prepared the original data used to generate records that are the subject matter of the engagement.

ç) A member of the assurance team being, or having recently been, a staff of that client

d) A member of the assurance team being, or having recently been, employed by the client in a position to exert direct and significant influence over the subject matter of the engagement.

e) Performing a service for a client that directly affects the subject matter of then assurance engagement.

ARTICLE 23 – (1) Examples of circumstances that may create advocacy threats include:

a) Buying founder shares in a listed entity when that entity is a financial statement audit client.

b) Acting as an advocate on behalf of an assurance client in litigation or disputes with third parties.

ARTICLE 24 – (1) Examples of circumstances that may create familiarity threats include:

a) A member of the engagement team having a close or immediate family relationship with a director or officer of the client.

b) A member of the engagement team having a close or immediate family relationship with an employee of the client who is in a position to exert direct and significant influence over the subject matter of the engagement.

c) A former partner of the firm being a director or officer of the client or an employee in a position to exert direct and significant influence over the subject matter of the engagement.

ç) Accepting gifts or preferential treatment from a client, unless the value is clearly insignificant.

d) Long association of senior personnel with the assurance client.

ARTICLE 25 – (1) Examples of circumstances that may create intimidation threats include:

a) Being threatened with dismissal or replacement in relation to a client engagement.

b) Being pressured to reduce inappropriately the extent of work performed in order to reduce fees.

ARTICLE 26 – (1) A professional accountant in public practice may also find that specific circumstances give rise to unique threats to compliance with one or more of the fundamental principles. Such unique threats obviously cannot be categorized. In either professional or business relationships, a professional accountant in public practice should always be on the alert for such circumstances and threats.

ARTICLE 27 – (1) Safeguards that may eliminate or reduce threats to an acceptable level fall into two broad categories:

a) Safeguards created by the profession, legislation or regulation.

b) Safeguards in the work environment.

2) Examples of safeguards created by the profession, legislation or regulation are described in Article 4 of Section One-Part One of this Regulation.

ARTICLE 28 – (1) In the work environment, the relevant safeguards will vary depending on the circumstances. Such safeguards comprise firm-wide safeguards and engagement specific safeguards. A professional accountant should determine how to best deal with an identified threat. In exercising this judgment, a professional accountant in public practice should consider what a reasonable and informed third party, would reasonably conclude to be acceptable. This consideration will be affected by matters such as the significance of the threat, the nature of the engagement and the structure of the firm.

ARTICLE 29 – Firm-wide safeguards in the work environment may include:

a) stress the importance of compliance with the fundamental principles.

b) establish the expectation that members of an assurance team will act in the public interest.

c) Policies and procedures to implement and monitor quality control of engagements.

ç) Documented policies regarding the identification of threats, the evaluation of the significance of these threats and the identification and the application of safeguards to eliminate or reduce the threats, other than those that are clearly insignificant, to an acceptable level.

d) For firms that perform assurance engagements, documented independence policies regarding the identification of threats to independence, the evaluation of the significance of these threats and the evaluation and application of safeguards to eliminate or reduce the threats, other than those that are clearly insignificant, to an acceptable level.

e) Documented internal policies and procedures requiring compliance with the fundamental principles.

f) Policies and procedures that will enable the identification of interests or relationships between the firm or members of engagement teams and clients.

g) Policies and procedures to monitor and, if necessary, manage the reliance on revenue received from a single client.

ğ) Policies and procedures to prohibit individuals who are not members of an engagement team from inappropriately influencing the outcome of the engagement.

h) Timely communication of a firm's policies and procedures, including any changes to them, to all partners and professional staff, and appropriate training and education on such policies and procedures.

ı) Designating a member of senior management to be responsible for overseeing the adequate functioning of the firm's quality control system.

i) A disciplinary mechanism to promote compliance with policies and procedures.

j) Published policies and procedures to encourage and empower staff to communicate to senior levels within the firm any issue relating to compliance with the fundamental principles that concerns them.

k) Using different partners and engagement teams with separate reporting lines for the provision of non-assurance services to an assurance client.

l) Advising partners and professional staff of those assurance clients and related entities from which they must be independent.

ARTICLE 30 – (1) Engagement-specific safeguards in the work environment may include:

Involving an additional professional accountant to review the work done or otherwise advise as necessary.

a) Consulting an independent third party, such as a committee of independent directors, a professional regulatory body or another professional accountant.

b) Discussing ethical issues with those charged with governance of the client.

c) Disclosing to those charged with governance of the client the nature of services provided and extent of fees charged.

d) Involving another firm to perform or re-perform part of the engagement.

e) Rotating senior assurance team personnel.

ARTICLE 31 – (1) Depending on the nature of the engagement, a professional accountant in public practice may also be able to rely on safeguards that the client has implemented. However, it is not possible to rely solely on such safeguards to reduce threats to an acceptable level.

ARTICLE 32 – (1) Safeguards within the client's systems and procedures may include:

a) The client has competent employees with experience and seniority to make managerial decisions.

b) The client has a corporate governance structure that provides appropriate oversight and communications regarding the firm's services.

PART TWO

Professional Appointment

Client Acceptance

ARTICLE 33 – (1) Before accepting a new client relationship, a professional accountant in public practice should consider whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behavior may be created from, for example, questionable issues associated with the client (its owners, management and activities).

(2) Client issues that, if known, could threaten compliance with the fundamental principles include, for example, client involvement in illegal activities (such as money laundering), dishonesty or questionable financial reporting practices.

(3) The significance of any threats should be evaluated. If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

(4) Appropriate safeguards may include obtaining knowledge and understanding of the client, its owners, managers and those responsible for its governance and business activities, or securing the client's commitment to improve corporate governance practices or internal controls.

(5) Where it is not possible to reduce the threats to an acceptable level, a professional accountant in public practice should decline to enter into the client relationship.

(6) Acceptance decisions should be periodically reviewed for recurring client engagements.

Engagement Acceptance

ARTICLE 34 – (1) A professional accountant in public practice should agree to provide only those services that the professional accountant in public practice is competent to perform. Before accepting a specific client engagement, a professional accountant in public practice should consider whether acceptance would create any threats to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.

(2) safeguards to eliminate them or reduce them to an acceptable level a professional accountant may take include:

a) Acquiring an appropriate understanding of the nature of the client's business, the complexity of its operations, the specific requirements of the engagement and the purpose, nature and scope of the work to be performed.

b) Possessing or obtaining experience with relevant regulatory or reporting requirements.

c) Assigning sufficient staff with the necessary competencies.

ç) Using experts where necessary.

d) Agreeing on a realistic time frame for the performance of the engagement.

e) Complying with quality control policies and procedures designed to provide reasonable assurance that specific engagements are accepted only when they can be performed competently.

Changes in a Professional Appointment

ARTICLE 35 – (1) A professional accountant in public practice who is asked to replace another professional accountant in public practice, or who is considering tendering for an engagement currently held by another professional accountant in public practice, should determine whether there are any reasons, professional or other, for not accepting the engagement, such as circumstances that threaten compliance with the fundamental principles. For example, there may be a threat to professional competence and due care if a professional accountant in public practice accepts the engagement before knowing all the pertinent facts.

(2) The significance of the threats should be evaluated. Direct communication with the existing accountant to establish the facts and circumstances behind the proposed change so that the professional accountant in public practice can decide whether it would be appropriate to accept the engagement.

(3) An existing accountant is bound by confidentiality. The extent to which the professional accountant in public practice can and should discuss the affairs of a client with a proposed accountant will depend on the legal or ethical requirements relating to such communications (This requirement set out in Section 1 Part 5).

(4) If identified threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include:

a) Discussing the client's affairs fully and freely with the existing accountant;

b) Asking the existing accountant to provide known information on any facts that, the proposed accountant should be aware of before deciding whether to accept the engagement;

(5) Where the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant should, unless there is satisfaction as to necessary facts by other means, decline the engagement.

PART THREE

Conflicts of Interest

ARTICLE 36 – (1) A professional accountant in public practice should take reasonable steps to identify circumstances that could pose a conflict of interest. Such circumstances may give rise to threats to compliance with the fundamental ethical principles. For example, a threat to objectivity may be created when a professional accountant in public practice competes directly with a client or has a joint venture or similar arrangement with a major competitor of a client. A threat to objectivity or confidentiality may also be created when a professional accountant in public practice performs services for clients whose interests are in conflict or the clients are in dispute with each other in relation to the matter or transaction in question.

(2) A professional accountant in public practice should evaluate the significance of any threats. Evaluation includes considering, before accepting or continuing a client relationship or specific engagement, whether the professional accountant in public practice has any business interests, or relationships with the client or a third party that could give rise to threats. If threats are other than clearly insignificant, safeguards should be applied as necessary to eliminate them or reduce them to an acceptable level.

ARTICLE 37 – (1) Depending upon the circumstances giving rise to the conflict, safeguards should ordinarily include the professional accountant in public practice:

(a) Notifying the client of the firm's business interest or activities that may represent a conflict of interest, and obtaining their consent to act in such circumstances;

(b) Notifying all known relevant parties that the professional accountant in public practice is acting for two or more parties in respect of a matter where their respective interests are in conflict, and obtaining their consent to so act;

(c) Notifying the client that the professional accountant in public practice does not act exclusively for any one client in the provision of proposed services.

ç) The use of separate engagement teams;

d) Procedures to prevent access to information

e) Clear guidelines for members of the engagement team on issues of security and confidentiality;

f) The use of confidentiality agreements signed by employees and partners of the firm;

ARTICLE 38 – (1) Where a conflict of interest poses a threat to one or more of the fundamental principles, including objectivity, confidentiality or professional behavior, that cannot be eliminated or reduced to an acceptable level through the application of safeguards, the professional accountant in public practice should conclude that it is not appropriate to accept a specific engagement or that resignation from one or more conflicting engagements is required.

PART FOUR

Second Opinions

ARTICLE 39 – (1) Situations where a professional accountant in public practice is asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client may give rise to threats to compliance with the fundamental principles. For example, there may be a threat to professional competence and due care in circumstances where the second opinion is not based on the same set of facts that were made available to the existing accountant, or is based on inadequate evidence.

(2) When asked to provide such an opinion, a professional accountant in public practice should evaluate the significance of the threats and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include seeking client permission to contact the existing accountant, describing the limitations surrounding any opinion in communications with the client and providing the existing accountant with a copy of the opinion.

(3) If the company or entity seeking the opinion will not permit communication with the existing accountant, a professional accountant in public practice should consider whether, taking all the circumstances into account, it is appropriate to provide the opinion sought.

PART FIVE

Fees and Other Types of Remuneration

ARTICLE 40 – (1) A professional accountant in public practice may quote whatever fee deemed to be appropriate. The fact that one professional accountant in public practice may quote a fee lower than another is not in itself unethical. Nevertheless, there may be threats to compliance with the fundamental principles arising from the level of fees quoted. For example, a self interest threat to professional competence and due care is created if the fee quoted is so low that it may be difficult to perform the engagement in accordance with applicable technical and professional standards for that price. For his reason, although a professional accountant in public practice may quote whatever fee deemed to be appropriate, this fee cannot be lower than the minimum fee that determined and issued by the Union.

ARTICLE 41 – (1) The significance of such threats will depend on factors such as the level of fee quoted and the services to which it applies. Safeguards which may be adopted include:

a) Making the client aware of the terms of the engagement and, in particular, the basis on which fees are charged and which services are covered by the quoted fee.

b) Assigning appropriate time and qualified staff to the task.

ARTICLE 42 – (1) Contingent fees are widely used for certain types of non-assurance engagements. They may, however, give rise to threats to compliance with the fundamental principles in certain circumstances. They may give rise to a self-interest threat to objectivity. The significance of such threats will depend on the nature of the engagement, the range of possible fee amounts and whether the outcome or result of the transaction is to be reviewed by an independent third party.

(2) The significance of such threats should be evaluated and, if they are other than clearly insignificant, safeguards should be applied. Such safeguards may include:

a) An advance written agreement with the client as to the basis of remuneration.

b) Disclosure to intended users of the work performed by the professional accountant in public practice and the basis of remuneration.

c) Quality control policies and procedures.

ç) Review by an objective third party of the work performed by the professional accountant in public practice.

ARTICLE 43 – (1) In certain circumstances, a professional accountant in public practice may receive a referral fee or commission relating to a client. For example, a professional accountant in public practice may receive a commission from a third party (e.g., a software vendor) in connection with the sale of goods or services to a client.

(2) Accepting such a referral fee or commission may give rise to self-interest threats to objectivity and professional competence and due care.

PART SIX

Marketing Professional Services

ARTICLE 44 – (1) When a professional accountant in public practice solicits new work through advertising or other forms of marketing, there may be potential threats to compliance with the fundamental principles. For example, a self-interest threat to compliance with the principle of professional behavior is created if services, achievements or products are marketed in a way that is inconsistent with that principle.

ARTICLE 45 – (1) A professional accountant in public practice should not bring the profession into disrepute when marketing professional services. The professional accountant in public practice should be honest and truthful and should not:

a) Make exaggerated claims for services offers, qualifications possessed or experience gained; or

b) Make disparaging references to unsubstantiated comparisons to the work of another.

(2) Regarding to promotion of the professional services, professional accountant in public practice should comply with the Regulation on Unfair Competition and Advertising Ban.

PART SEVEN

Gifts and Hospitality

ARTICLE 46 – (1) A professional accountant in public practice, or an immediate or close family member, may be offered gifts and hospitality from a client. Such an offer ordinarily gives rise to threats to compliance with the fundamental principles. For example, self-interest threats to objectivity may be created if a gift from a client is accepted; intimidation threats to objectivity may result from the possibility of such offers being made public.

(2) The significance of such threats will depend on the nature, value and intent behind the offer. Where gifts or hospitality which a reasonable and informed third party, would consider clearly insignificant are made a professional accountant in public practice may conclude that the offer is made in the normal course of business without the specific intent to influence decision making or to obtain information.

(3) If evaluated threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in public practice should not accept such an offer.

PART EIGHT

Custody of Client Assets

ARTICLE 47 – (1) A professional accountant in public practice should not assume custody of client monies or other assets.

(2) The holding of client assets creates threats to compliance with the fundamental principles; For example, there is a self-interest threat to professional behavior and may be a self interest threat to objectivity arising from holding client assets.

(3) Professional accountants in public practice, should comply with the Compulsory Professional Regulation which ban to assume custody of client monies or other assets, issued on Official Gazette on 26/10/1996 and number 22535.

PART NINE

Objectivity–All Services

ARTICLE 48 – (1) A professional accountant in public practice should consider when providing any professional service whether there are threats to compliance with the fundamental principle of objectivity resulting from relationships with, a client or directors, officers or employees. For example, a familiarity threat to objectivity may be created from a family or close personal or business relationship.

ARTICLE 49 – (1) A professional accountant in public practice who provides an assurance service is required to be independent of the assurance client. Independence of mind and in appearance is necessary to enable the professional accountant in public practice to express a conclusion, and be seen to express a conclusion, without bias, conflict of interest or undue influence of others. Part Ten provides specific guidance on independence requirements for professional accountants in public practice when performing an assurance engagement.

ARTICLE 50 – (1) The existence of threats to objectivity when providing any professional service will depend upon the particular circumstances of the engagement and the nature of the work that the professional accountant in public practice is performing.

(2) A professional accountant in public practice should evaluate the significance of identified threats and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include:

a) Withdrawing from the engagement team.

b) Supervisory procedures.

c) Terminating the financial or business relationship giving rise to the threat.

ç) Discussing the issue with higher levels of management within the firm.

d) Discussing the issue with those charged with governance of the client.

PART TEN

Assurance Engagements, Independence and Engagement Period

ARTICLE 51 – (1) In the case of an assurance engagement it is in the public interest and, therefore, required by this Regulation, that members of assurance teams, firms and, when applicable, network firms be independent of assurance clients (responsible party).

(2) Assurance engagements are designed to enhance intended users' degree of confidence about the outcome of the evaluation or measurement of a subject matter against criteria.

(3) Assurance Engagements will prepared according to the standards issued by the Auditing Standards Board of of Turkey if there is no such standards, by the International Framework for Assurance Engagements issued by the International Auditing and Assurance Standards Board, This framework describes the elements and objectives of an assurance engagement.

ARTICLE 52 – (1) Assurance engagement includes one of the below elements:

a) Reporting on several matters contains financial or non-financial considerations,

b) Engagements which are intended to provide high or medium level assurance,

c) Direct reporting and certification works,

ç) Internal ans external reporting engagements,

d) Engagements in private ans public sectors.

ARTICLE 53 – (1) Independence principle falls into two as Independence of Mind and Independence in Appearance The state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism. The avoidance of facts and circumstances that are so significant that a reasonable and informed third party, would reasonably conclude a firm's, or a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

ARTICLE 54 – (1) Members of assurance teams, firms and network firms are required to apply the conceptual framework contained in Section One to the particular circumstances under consideration. In addition to identifying relationships between the firm, network firms, members of the assurance team and the assurance client, consideration should be given to whether relationships between individuals outside of the assurance team and the assurance client create threats to independence.

ARTICLE 55 – (1) Assurance engagements may be assertion-based or direct reporting. In either case they involve three separate parties: A public accountant in public practice, an assurance client (a responsible party) and intended users.

(2) the professional accountant provides confidence to the intended users regarding to the subject matter of responsible party. Responsible party could be individuals or representatives responsible for the subject matter. For example, management is responsible for preparation of financial statements and establishment of internal control. Intended users are the individual or individuals that the professional accountant prepares report for specific use and objective.

ARTICLE 56 – (1) The nature of the threats to independence and the applicable safeguards necessary differ depending on the characteristics of the individual assurance engagement (a financial statement audit engagement or another type of assurance engagement).

(2) in financial statement audit engagements, independence of mind, independence in appearance is of particular significance. for financial statement audit clients, the members of the engagement team and the firm are required to be independent of the financial statement audit client. Such independence requirements include prohibitions regarding certain relationships between members of the assurance team and directors, officers and employees of the client in a position to exert direct and significant influence over the financial statements.

(3) In an assertion-based assurance engagement where the client is not a financial statement audit client, the members of the assurance team and the firm are required to be independent of the assurance client. Such independence requirements include prohibitions regarding certain relationships between members of the assurance team and directors, officers and employees of the client in a position to exert direct and significant influence over the subject matter information.

ARTICLE 57 – (1) The objective of this part is to:

a) Identifying threats to independence;

b) Evaluating whether these threats are clearly insignificant; and

c) In cases when the threats are not clearly insignificant, identifying and applying appropriate safeguards to eliminate or reduce the threats to an acceptable level.

(2) In situations when no safeguards are available to reduce the threat to an acceptable level, the only possible actions are to eliminate the activities creating the threat, or to refuse to accept the assurance engagement.

ARTICLE 58 – (1) Professional judgment is used to determine the appropriate safeguards to eliminate threats to independence or to reduce them to an acceptable level. In certain examples, the threats to independence are so significant the only possible actions are to eliminate the activities or interest creating the threat, or to refuse to accept or continue the assurance engagement.

(2) When threats to independence that are not clearly insignificant are identified, and the firm decides to accept or continue the assurance engagement, the decision should be documented. The documentation should include a description of the threats identified and the safeguards applied to eliminate or reduce the threats to an acceptable level.

(3) The evaluation of the significance of any threats to independence and the safeguards, takes into account the public interest. Certain entities may be of significant public interest because, as a result of their business, their size or their corporate status they have a wide range of stakeholders. Examples of such entities may include listed companies, credit institutions, insurance companies, and pension funds.

ARTICLE 59 – (1) The members of the assurance team and the firm should be independent of the assurance client during the period of the assurance engagement. The period of the engagement starts when the assurance team begins to perform assurance services and ends when the assurance report is issued.

ARTICLE 60 – (1) In the case of a financial statement audit engagement, the engagement period includes the period covered by the financial statements reported on by the firm. When an entity becomes a financial statement audit client during or after the period covered by the financial statements that the firm will report on, the firm should consider whether any threats to independence may be created by:

a) Financial or business relationships with the audit client during or after the period covered by the financial statements, but prior to the acceptance of the financial statement audit engagement;

b) Previous services provided to the audit client. Similarly, in the case of an assurance engagement that is not a financial statement audit engagement, the firm should consider whether any financial or business relationships or previous services may create threats to independence.

ARTICLE 61 – (1) If a non-assurance service was provided to the financial statement audit client during or after the period covered by the financial statements but before the commencement of professional services in connection with the financial statement audit and the service would be prohibited during the period of the audit engagement, consideration should be given to the threats to independence. Such safeguards considered and applied significant threat may include:

a) Discussing independence issues related to the provision of the non-assurance service with those charged with governance of the client, such as the audit committee;

b) Obtaining the client’s acknowledgment of responsibility for the results of the non-assurance service;

c) Precluding personnel who provided the non-assurance service from participating in the financial statement audit engagement;

SECTION THREE

Fundamental Ethical Principles for Professional Accountants in Business

PART ONE

Introduction, Threats and Safeguards

ARTICLE 62 – (1) This Part of the Regulations illustrates how the conceptual framework contained in Part One is to be applied by professional accountants in business.

(2) Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

(3) A professional accountant in business may be a salaried employee, a partner, director, an owner manager, a volunteer or another working for one or more employing organization. The legal form of the relationship with the employing organization, has no bearing on the ethical responsibilities incumbent on the professional accountant in business.

(4) A professional accountant in business has a responsibility to further the legitimate aims of their employing organization. This Regulation does not seek to hinder a professional accountant in business from properly fulfilling that responsibility, but considers circumstances in which conflicts may be created with the absolute duty to comply with the fundamental principles.

(5) A professional accountant in business often holds a senior position within an organization. The more senior the position, the greater will be the ability and opportunity to influence events, practices and attitudes. A professional accountant in business is expected, therefore, to encourage an ethics-based culture in an employing organization that emphasizes the importance that senior management places on ethical behavior.

(6) The examples presented in the following sections related to the circumstances experienced by a professional accountant in business that may create threats to compliance with the principles. Consequently, it is not sufficient for a professional accountant in business merely to comply with the examples. Rather, the framework should be applied to the particular circumstances faced.

ARTICLE 63 – (1) Compliance with the fundamental principles described in Section One on the Regulation

(2) Examples of circumstances that create self-interest threats for a professional accountant in business include:

a) Financial interests, loans or guarantees.

b) Inappropriate personal use of corporate assets.

c) Concern over employment security.

ç) Commercial pressure from outside the employing organization.

ARTICLE 64 – (1) Circumstances that may create self-review threats include, business decisions or data being subject to review and justification by the same professional accountant in business responsible for making those decisions or preparing that data.

ARTICLE 65 – (1) When furthering the legitimate goals and objectives of their employing organizations professional accountants in business may promote the organization's position, provided any statements made are neither false nor misleading. Such actions generally would not create an advocacy threat.

ARTICLE 66 – (1) Examples of circumstances that may create familiarity threats to professional accountant in business include:

a) A professional accountant in business in a position to influence financial or non-financial reporting or business decisions having an immediate or close family member who is in a position to benefit from that influence.

b) Long association with business contacts influencing business decisions.

c) Acceptance of a gift or preferential treatment, unless the value is clearly insignificant.

ARTICLE 67 – (1) Examples of circumstances that may create intimidation threats to professional accountant in business include:

a) Threat of dismissal or replacement of the professional accountant in business or a close or immediate family member over a disagreement about the application of an accounting principle or the way in which financial information is to be reported.

b) A dominant personality attempting to influence the decision making process.

ARTICLE 68 – (1) Safeguards that may eliminate or reduce to an acceptable level the threats, safeguards created by the profession, legislation or regulation are detailed in Section One.

ARTICLE 69 – (1) Examples of safeguards in the work environment include,

a) The employing organization's systems of corporate oversight or other oversight structures.

b) The employing organization's ethics and conduct programs.

c) Recruitment procedures in the employing organization emphasizing the importance of employing high caliber competent staff.

ç) Strong internal controls.

d) Appropriate disciplinary processes.

e) Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.

f) Policies and procedures to implement and monitor the quality of employee performance.

g) Timely communication of the employing organization’s policies and procedures to all employees and appropriate training,

ğ) Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organization any ethical issues that concern them without fear of retribution.

h) If a professional accountant in business believes that unethical behavior or actions by others will continue to occur within the employing organization, should consider seeking legal advice In those extreme situations where all available safeguards have been exhausted and it is not possible to reduce the threat to an acceptable level, a professional accountant in business may conclude that it is appropriate to resign from the employing organization.

PART TWO

Potential Conflicts

ARTICLE 70 – (1) There may be times, however, when their responsibilities to an employing organization and the professional obligations to comply with the fundamental principles are in conflict. Ordinarily, a professional accountant in business should support the legitimate and ethical objectives established by the employer and the rules and procedures drawn up in support of those objectives. Nevertheless, where compliance with the fundamental principles is threatened, a professional accountant in business must consider a response to the circumstances.

ARTICLE 71 – (1) As a consequence of responsibilities to an employing organization, a professional accountant in business may be under pressure to act or behave in ways that could directly or indirectly threaten compliance with the fundamental principles. Such pressure may be explicit or implicit; it may come from a supervisor, manager, director or another individual within the employing organization. A professional accountant in business may face pressure to:

a) Act contrary to law or regulation.

b) Act contrary to technical or professional standards.

c) Facilitate unethical or illegal earnings management strategies.

ç) Lie to, or otherwise intentionally mislead,

d) Issue, or otherwise be associated with, a financial or non-financial report that materially misrepresents the facts,

e) Issue, or otherwise be associated with, a financial or non-financial report that materially misrepresents the facts, including statements in connection with the financial statements, tax compliance, legal compliance; or reports required by securities regulators.

ARTICLE 72 – (1) The significance of threats arising from such pressures, such as intimidation threats, should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include:

a) Obtaining advice from within the employing organization, an independent professional advisor or a relevant professional body.

b) Seeking legal advice.

c) The existence of a formal dispute resolution process within the employing organization.

PART THREE

Preparation and Reporting of Information

ARTICLE 73 – (1) Professional accountants in business are often involved in the preparation and reporting of information that may either be made public or used by others inside or outside the employing organization. Such information may include financial or management information, for example, forecasts and budgets, financial statements, management discussion and analysis, and the management letter of representation provided to the auditors as part of an audit of financial statements. A professional accountant in business should prepare or present such information fairly, honestly and in accordance with relevant professional standards so that the information will be understood in its context.

ARTICLE 74 – (1) Threats to compliance with the fundamental principles, (for example self-interest or intimidation threats to objectivity or professional competence and due care), may be created where a professional accountant in business may be pressured either externally or by the possibility of personal gain to become associated with misleading information or to become associated with misleading information through the actions of others.

(2) The significance of such threats will depend on factors such as the source of the pressure and the degree to which the information is, or may be, misleading. The significance of the threats should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include consultation with superiors within the employing organization, (for example, the audit committee or a relevant professional body).

(3) Where it is not possible to reduce the threat to an acceptable level, a professional accountant in business should refuse to remain associated with information they consider is or may be misleading. Should the professional accountant in business be aware that the issuance of misleading information is either significant or persistent, the professional accountant in business should consider informing appropriate authorities in line with the guidance in Section One Part One. The professional accountant in business may also wish to seek legal advice or resign.

PART FOUR

Acting with Sufficient Expertise

ARTICLE 75 – (1) The fundamental principle of professional competence and due care requires that a professional accountant in business should only undertake significant tasks for which the professional accountant in business has sufficient specific training or experience. A professional accountant in business should not intentionally mislead an employer as to the level of expertise or experience possessed, nor should a professional accountant in business fail to seek appropriate expert advice and assistance when required.

ARTICLE 76 – (1) Circumstances that threaten the ability of a professional accountant in business to perform duties with the appropriate degree of professional competence and due care include:

a) Insufficient time for properly performing or completing the relevant duties.

b) Incomplete, restricted or otherwise inadequate information for performing the duties properly.

c) Insufficient experience, training and/or education.

d) Inadequate resources for the proper performance of the duties.

ARTICLE 77 – (1) The significance of such threats will depend on factors such as the extent to which the professional accountant in business is working with others, relative seniority in the business and the level of supervision and review applied to the work. For such significant threats, safeguards should be applied. Such safeguards may include:

a) Obtaining additional advice or training.

b) Ensuring that there is adequate time available for performing the relevant duties.

c) Obtaining assistance from someone with the necessary expertise.

ç) Consulting, where appropriate, with superiors within the employing organization, independent experts or a relevant professional body.

ARTICLE 78 – (1) Where threats cannot be eliminated or reduced to an acceptable level, professional accountants in business should consider whether to refuse to perform the duties in question. If the professional accountant in business determines that refusal is appropriate the reasons for doing so should be clearly communicated

PART FIVE

Financial Interests

ARTICLE 79 – (1) financial interests of immediate or close family members, that could, in certain circumstances, give rise to threats to compliance with the fundamental principles. For example, self-interest threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price sensitive information in order to gain financially. Examples of circumstances that may create self-interest threats include:

a) The professional accountant in business or an immediate or close family member holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business;

b) Is eligible for a profit related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business;

c) May qualify for share options in the employing organization

ARTICLE 80 – (1) In evaluating the significance of such a threat, professional accountants in business must examine the nature of the financial interest. and whether it is direct or indirect.

ARTICLE 81 – (1) If threats are other than clearly insignificant, safeguards should be applied may include:

a) Policies and procedures for a committee independent of management to determine the level of form of remuneration of senior management.

b) Consultation, where appropriate, with superiors within the employing organization.

c) Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.

ç) Internal and external audit procedures.

d) Up-to-date education on ethical issues and the legal restrictions and other regulations around potential insider trading.

ARTICLE 82 – (1) A professional accountant in business should neither manipulate information nor use confidential information for personal gain.

PART SIX

Inducements

ARTICLE 83 – (1) A professional accountant in business or an immediate or close family member may be offered an inducement. Inducements may take various forms, including gifts, hospitality, preferential treatment.

ARTICLE 84 – (1) Offers of inducements may create threats to compliance with the fundamental principles. When a professional accountant in business or an immediate or close family member is offered an inducement, the situation should be carefully considered. Self-interest threats to objectivity or confidentiality are created where an inducement is made in an attempt to unduly influence actions or decisions, encourage illegal or dishonest behavior or obtain confidential information. Intimidation threats to objectivity or confidentiality are created if such an inducement is accepted. it is followed by threats to make that offer public and damage the reputation of either the professional accountant in business or an immediate or close family member.

(2) The significance of such threats will depend on the nature, value and intent behind the offer. If a reasonable and informed third party would consider the inducement insignificant and not intended to encourage unethical behavior, then a professional accountant in business may conclude that there is no significant threat to compliance with the fundamental principles.

ARTICLE 85 – (1) For evaluated threats, safeguards should be applied. When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in business should not accept the inducement. As the real or apparent threats to compliance with the fundamental principles do not merely arise from acceptance of an inducement. Sometimes, merely from the fact of the offer having been made, additional safeguards should be adopted. A professional accountant in business should assess the risk associated with all such offers and consider whether the following actions should be taken:

a) Where such offers have been made, immediately inform higher levels of management or those charged with governance of the employing organization;

b) Inform a professional body or the employer of the individual who made the offer; however, consider seeking legal advice before taking such a step;

c) Advise immediate or close family members of relevant threats and safeguards where they are potentially in positions that might result in offers of inducements,

ç) Inform higher levels of management of the employing organization where immediate or close family members are employed by competitors or potential suppliers of that organization.

ARTICLE 86 – (1) A professional accountant in business may be in a situation where the professional accountant in business is under other pressure to, offer inducements to subordinate the judgment of another individual or organization, influence a decision-making process or obtain confidential information.

(2) Such pressure may come from within the employing organization, from a colleague or superior or outside the organization.

(3) Should be cautious for this situation.

ARTICLE 87 – (1) A professional accountant in business should not offer an inducement to improperly influence professional judgment of a third party.

ARTICLE 88 – (1) Where the pressure to offer an unethical inducement comes from within the employing organization, the professional accountant should follow the principles and guidance regarding ethical conflict resolution set out in Part One of this Regulation.